Final Pronouncement
May 2023

RPG™

Recommended Practice Guidelines™

Reporting Sustainability Program Information–Amendments to RPGs 1 and 3: Additional Non-Authoritative Guidance

IPSASB International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective, the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently, all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

AMENDMENTS TO RPG 1, REPORTING ON THE LONG-TERM SUSTAINABILITY OF AN ENTITY'S FINANCES: ADDITIONAL NON-AUTHORITATIVE GUIDANCE

CONTENTS

Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting on the long-term sustainability of a public sector entity's finances ("reporting long-term fiscal sustainability information"[1]). The RPG provides information on the impact of current policies and decisions made at the reporting date on future inflows and outflows and supplements information in the general purpose financial statements ("financial statements"). The aim of such reporting is to provide an indication of the projected long-term sustainability of an entity's finances over a specified time horizon in accordance with stated assumptions.

Summary of Non-Authoritative Guidance

Additions to Section of RPG 1	**Summary of Additional Guidance**
Basis for Conclusions	Explains the IPSASB decisions to: • Undertake the Reporting Sustainability Program Information project; • Communicate the applicability of RPG 1 to reporting sustainability program information; and • Provide additional non-authoritative guidance.
Implementation Guidance	Guidance added to illustrate the applicability of the RPG 1 principles when reporting the impact of sustainability programs on an entity's overall finances.

[1] The IPSASB acknowledges that in a number of jurisdictions the term "fiscal" has a narrow interpretation related to taxation. In this RPG the term is used with a broader meaning to include both inflows and outflows.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances.

…

Additional Guidance for RPG 1 as a result of the Reporting Sustainability Program Information Project

BC37. In March 2022, the IPSASB decided to address an urgent stakeholder concern by adding the limited scope project, *Reporting Sustainability Program Information*. The project responded to the need to provide public sector entities with guidance emphasizing the applicability of the Recommended Practice Guidelines (RPGs) to reporting sustainability program information in general purpose financial reports.

BC38. To clearly communicate the applicability of RPG 1, the IPSASB decided to add non-authoritative guidance to RPG 1 to demonstrate how the authoritative guidance should be applied when reporting on sustainability program information. The IPSASB decided to highlight that the principles and guidance in RPG 1 are relevant for an entity to report the financial impacts of sustainability programs and that they should be included when developing its overall financial projections.

BC39. The IPSASB decided to add IG1.– IG3. to communicate:

(a) That RPG 1 applies to reporting sustainability program information and its financial impact on the long-term sustainability of an entity's finances;

(b) How sustainability program's impacts on the dimensions of long-term fiscal sustainability should be assessed; and

(c) The principles applicable for reporting on sustainability program information.

BC40. The IPSASB agreed that IPSAS should be applied to capture the impact of an entity's sustainability-related transactions in general purpose financial statements. RPG 1 provides guidance on disclosures in general purpose financial reports on the overall financial impact of government programs, including programs related to sustainability, on an entity's long-term financial projections.

BC41. The IPSASB considered whether paragraph 4 should be amended to remove the statement that RPG 1 was not designed for reporting on environmental sustainability. The IPSASB decided not to amend paragraph 4 because RPG 1 does not address broad environmental sustainability reporting. However, the second sentence in paragraph 4 makes clear, RPG 1 reporting captures the financial impact of environmental factors and notes that these should be taken into account when developing an entity's long-term financial projections.

BC42. ED 83, *Reporting Sustainability Program Information* received strong support from constituents on its proposed implementation guidance. Constituents suggested minor modifications to the proposals to better align them with the authoritative guidance. Some constituents proposed changes beyond the limited scope of ED 83, such as developing a definition of 'sustainability' or 'sustainability program information'. This project introduced amendments to highlight the applicability of existing concepts and principles in RPG 1 that reporting entities can apply when reporting on sustainability program information. The IPSASB decided that recommendations on the broader scope of sustainability reporting in the public sector were beyond the scope of this project.

Implementation Guidance

This guidance accompanies, but is not part of, RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances.

Does RPG 1 apply to reporting information on the impact of sustainability programs on an entity's overall finances?

IG1. Yes, RPG 1 provides principles to apply when reporting on an entity's overall long-term fiscal sustainability, including those relating to sustainability programs, provided that the respective inflows and outflows are included when developing projections.

How should sustainability program impacts on the dimensions of long-term fiscal sustainability be assessed?

IG2. RPG 1, paragraph 27 discusses three inter-related dimensions of long-term fiscal sustainability:

- Service;
- Revenue; and
- Debt

Sustainability programs can impact all of these dimensions in terms of future inflows and outflows. The impacts of sustainability programs should therefore be modelled and included in the overall projections based on assumptions regarding current policies, and about future demographic and economic conditions. Depending on the purpose of the report, and their significance, the impacts of such programs can either be presented separately or as part of the overall totals.

Which principles should be applied when reporting on the impacts of sustainability programs?

IG3. All of the guidance in RPG 1 should be applied when reporting on the projected future inflows and outflows associated with sustainability programs, including guidance related to policy, demographic and economic assumptions. Sensitivity analysis may be used to help users understand the impacts of significant changes in demographic and economic assumptions on the projections.

AMENDMENTS TO RPG 3, REPORTING SERVICE PERFORMANCE INFORMATION: ADDITIONAL NON-AUTHORITATIVE GUIDANCE

CONTENTS

Objective

1. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information in General Purpose Financial Reports (GPFRs). Service performance information is information on the services that the entity provides, an entity's service performance objectives, and the extent of its achievement of those objectives. Service performance information assists users of GPFRs (hereafter termed "users") to assess the entity's service efficiency and effectiveness.

Summary of Non-Authoritative Guidance

Additions to Section of RPG 3	**Summary of Additional Guidance**
Basis for Conclusions	Explains the IPSASB decisions to: • Undertake the Reporting Sustainability Program Information project; • Communicate the applicability of RPG 3 to reporting sustainability program information; and • Provide additional non-authoritative guidance.
Implementation Guidance	Guidance added to illustrate the applicability of the RPG 3 principles when reporting service performance information related to sustainability programs.
Illustrative Examples	Examples added to illustrate how the RPG 3 principles apply to reporting specific sustainability program information.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 3, Reporting Service Performance Information.

…

Additional Guidance for RPG 3 as a result of the Reporting Sustainability Program Information Project

BC44. In March 2022, the IPSASB decided to address an urgent stakeholder concern by adding the limited scope project, *Reporting Sustainability Program Information*. The project responds to the need to provide public sector entities with guidance emphasizing the applicability of the Recommended Practice Guidelines (RPGs) to reporting sustainability program information in general purpose financial reports.

BC45. To clearly communicate the applicability of RPG 3, the IPSASB decided to add non-authoritative guidance to RPG 3 to demonstrate how the authoritative guidance should be applied when reporting on sustainability program information. The IPSASB decided to highlight that the principles and guidance in RPG 3 are relevant for an entity to report on the impact of sustainability programs, to enable transparency and accountability of the program's impact against its objectives.

BC46. The IPSASB decided to add IG1.– IG4. to communicate:

(a) That RPG 3 applies to reporting information related to sustainability programs; and

(b) How RPG 3 can be applied to individual sustainability programs.

BC47. The IPSASB decided to add IE4.–IE8. to illustrate how the guidance in RPG 3 applies to sustainability programs, including:

(a) A program financed by a green bond;

(b) A program financed by a carbon tax;

(c) An investment in infrastructure to mitigate the impacts of climate change; and

(d) A tax expenditure for sustainability investments.

BC48. The IPSASB agreed that IPSAS should be applied to capture the impact of an entity's sustainability-related transactions in general purpose financial statements. RPG 3 provides guidance on disclosures in general purpose financial reports, including the impact of individual programs in achieving its objectives.

BC49. The IPSASB noted that normally illustrative examples developed by the IPSASB show the application of different concepts. However, IE4. – IE8. illustrate similar RPG 3 concepts applied to four different sustainability programs to help communicate how the guidance can be applied to various types of programs.

BC50. ED 83, *Reporting Sustainability Program Information* received strong support from constituents on its proposed implementation guidance and additional illustrative examples. A few constituents suggested editorial changes to the illustrative examples. Some constituents proposed changes beyond the limited scope of ED 83, such as developing a definition of 'sustainability' or ‘sustainability program information’. This project introduced amendments to highlight the applicability of existing concepts and principles in RPG 3 that reporting entities can apply when reporting on sustainability program information. The IPSASB decided that recommendations on the broader scope of sustainability reporting in the public sector were beyond the scope of this project.

Implementation Guidance

This guidance accompanies, but is not part of, RPG 3, Reporting Service Performance Information.

…

Does RPG 3 apply to reporting information related to sustainability programs?

IG1. Yes, RPG 3 provides principles to apply when reporting on an entity's service performance by considering its objectives, and measuring performance against relevant indicators (inputs, outputs, outcomes, efficiency, or effectiveness).

IG2. The RPG 3 principles are applicable for entities that establish service performance objectives related to sustainability programs and can measure performance against relevant overall indicators set by the entity or specific program metrics.

How does RPG 3 apply to an individual sustainability program?

IG3. Decision makers may want to evaluate the governance, strategy, risks and performance associated with sustainability programs as part of delivering the entity's service performance objectives. RPG 3 reporting supports transparency in these key areas which are important both for ensuring accountability and for providing useful information for decision-making purposes.

IG4. The illustrative examples (IE4.–IE8.) in RPG 3 demonstrate the application of the principles to four different types of sustainability programs. This includes how an entity identifies service performance objectives of its respective programs, and how they can be expressed using performance indicators related to inputs, outputs, outcomes, efficiency, or effectiveness, or through a combination of two or more such indicators.

Illustrative Examples

These examples accompany, but are not part of, RPG 3, Reporting Service Performance Information.

…

Examples Related to Reporting Sustainability Program Information

IE4. A general overview of how to apply the RPG 3 principles when reporting service performance information is provided in IE1.– IE3. Specific examples of how to report service performance information related to sustainability programs are provided in IE5.– IE8. These examples are not exhaustive and are meant to provide entities with a simplified fact pattern for illustrative purposes on how to report on service performance objectives of sustainability programs. An entity needs to evaluate all relevant facts and circumstances of its specific programs when applying the RPG 3 guidance.

Example 1—Program Financed by a Green Bond

IE5. Green bonds may be used by entities to raise funds for investment in sustainability programs, for example, environmental or climate change mitigation programs. Issuers of such green bonds may identify specific metrics or targets to provide investors with information on the performance of the program in achieving those targets. Below is an example of a program financed by a green bond, The example shows how to apply RPG 3 for reporting on the program.

Green Bond Details and Objectives:

- On January 1, 20x0 Entity A issued a green bond to fund a reforestation program with the goal of planting 100 million trees by the end of the year at a cost of CU4 per tree.
- The reforestation program's target outcome is the absorption of 997,900 tons of CO_2 per year ((100 million trees x 22 pounds of CO_2 absorbed per tree) divided by 2,204.63 pounds in tons) for the first 20 years.
- At the end of 20x0, forestry staff had planted 85 million trees and determined that the CO_2 absorbed by the reforestation program in year 1 was 578,328 tons of CO_2 ((85 million trees x 15 pounds of CO_2 absorbed per tree) divided by 2,204.63 pounds in tons).
- The actual cost to plant each tree in the reforestation program was CU4.1 (CU348.5 million/85 million trees).

Performance Indicators:

- Inputs: The cost to plant each tree.
- Outputs: The number of trees planted.
- Outcome: Total CO_2 absorbed.
- Efficiency:
    - The cost per tree planted was CU4.1, i.e., higher than the expected cost of CU4. The total number of trees planted fell short by 15 million trees (100 million less 85 million). The cost per ton of CO_2 absorbed was CU 603 (CU348.5 million/578,328 CO_2 tons), while the planned cost per ton of CO_2 was CU 401 (CU 400 million/997,900 CO_2 tons). The higher cost of CO_2 tons per CU spent shows a lower absorption of CO_2, which could be attributed to a number of factors, including the gradual process of planting trees, a

lower number of trees planted by the program than planned, and a lower survival rate of planted trees.

- Effectiveness:
  - Input: 102.5% (the actual cost to plant a tree over the target cost to plant a tree – CU4.1/CU4) because the actual cost to plant the trees (CU348.5 million) was less than the planned cost (CU400 million) and the actual number of trees planted (85 million) fell short of the target number of trees to be planted (100 million).
  - Output: 85% (the actual number of trees planted over the target number of trees to be planted – 85 million/100 million) because fewer trees were planted than planned.
  - Outcome: 58% (the absorption of CO_2 at the end of year 1 over the target absorption of CO_2 in year 1 – 578,328 tons of CO_2/997,900 tons of CO_2) because less carbon was absorbed than planned.

Example 2—Program Financed by a Carbon Tax

IE6. Carbon taxes may be used by entities to generate revenue to fund investment in sustainability programs, including those to fund investment in climate change mitigation. Carbon tax programs often have specific metrics or targets. This information can be used by the entity to report on the performance against the program objectives. Below is an example of a program financed by a carbon tax. The example shows how to apply RPG 3 for reporting on the program.

Carbon Tax Details and Objectives:

- On January 1, 20x1 Jurisdiction B implements a carbon tax to generate revenue to fund the installation of 10,000 electrical vehicle (EV) charging stations over the next 15 years along their highways.
- The objective of Jurisdiction B's program is to incentivize the development of the zero-emission vehicles (ZEV) market so that ZEVs make up 100% of the 460,000 new light-duty vehicles sold per year, within 15 years.
- The program's target for year 1, which starts in 20x2, is to install 600 EV charging stations (expected to cost CU28,500 to install each charging station) and for ZEV sales to comprise 26% of new light-duty sales in Jurisdiction B (119,600).
- At the end of 20x2, Jurisdiction B invested CU13.11 million to install 460 EV charging stations and 18% (85,000/460,000) of all new light-duty vehicle sales were ZEV.

Performance Indicators:

- Input: The cost to install each EV charging station.
- Output: The number of EV charging stations installed.
- Outcome: ZEV market share of the new light-duty vehicles market.
- Efficiency:
  - The cost per EV charging station installed was CU28,500 (CU13.11 million/460 EV charging stations), achieving the 20x2 target cost per station. However, the program only resulted in 460 EV charging station installations falling short by 140 (the plan was to complete 600 EV charging stations). The cost incurred by Jurisdiction B to incentivize

the purchase of new light-duty ZEV in 20x2 was CU154 per ZEV (CU13.11 million/85,000 new light-duty ZEV). The program's planned cost was CU143 per additional new light-duty ZEV sold, however, this expectation was based on capturing 26% of the market, instead of 18% captured in 20x2.

- Effectiveness:
  - Input: 100% (the actual cost to install an EV charging station over the target cost to install an EV charging station – CU28,500/CU28,500) because the cost planned was achieved.
  - Output: 77% (the actual number of EV charging stations installed over the target number of planned EV charging station installations – 460/600) because fewer EV charging stations were installed than planned.
  - Outcome: 71% (the actual number of new light-duty ZEV sold over the target (85,000/119,600) because the market share achieved of 18% was lower than the 26% targeted.

Example 3—Investment in Infrastructure to Mitigate the Impacts of Climate Change

IE7. Investments in infrastructure can be used by entities to help restore the natural environment and mitigate the impact of climate change. Such investments often identify specific metrics or targets the investments are intended to achieve, including those related to service delivery. This information can be used by the entity to report on the performance of the program in achieving the program objectives. Below is an example of an investment in green infrastructure (i.e., rain garden) financed by environmental penalties collected to mitigate the impacts of climate change. The example shows how to apply RPG 3 when reporting on the program.

Investment in Infrastructure Details and Objectives:

- Community C utilizes funds collected from environmental penalties to provide funding for programs helping restore the environment, through 'green infrastructure' programs, such as installing rain gardens to reduce the risk of flooding and help communities adapt to climate change.
- In 20x1, Community C made CU250,000 available for the installation of rain gardens in residential homes and small businesses, with an average cost of CU5,556 each (CU250,000/45 rain gardens).
- A water management consultant report states that the plan to install 45 rain gardens is estimated to reduce instances of flooding by 60% (30 fewer flooding instances).
- Rain levels between 20x0 and 20x1 were consistent, 50 flooding instances were noted in 20x0, and after issuing funding of CU150,000 for 25 rain gardens in 20x1 there were 17 fewer flooding instances (34% reduction).

Performance Indicators:

- Input: Funding collected from environmental penalties and available for rain gardens.
- Output: The number of rain gardens funded by Community C.
- Outcome: Reduction of residential and small business flooding instances.
- Efficiency:

- The cost per rain garden was CU6,000 (CU150,000/25 rain gardens), CU444 over the target cost. There were only 17 fewer flooding instances than the estimated 30, which can be attributed to the lower number of rain gardens funded by the program (45 rain gardens were estimated to be funded, but only 25 were funded and completed in 20x1). The cost per reduction in flooding instances was CU490 higher per flooding instance, as the planned cost was CU8,333 (CU250,000/30 reductions of flooding instances) and the actual cost was CU8,823 (CU150,000/17 reductions of flooding instances).

- Effectiveness:
  - Input: 60% (the actual funding provided for rain gardens over the target funding available – CU150,000/CU250,000) because less funding was provided than was available.
  - Output: 56% (the actual number of rain gardens funded over the target number of rain gardens planned – 25/45) because fewer rain gardens were funded than planned.
  - Outcome: 57% (the actual reduction of flooding instances over the target reduction of flooding instances – 17/30) because fewer flooding instances were prevented than planned.

Example 4—Tax Expenditures for Sustainability Investments

IE8. Tax expenditures[2] can be used to incentivize private investment to improve energy efficiency and reduce energy consumption. Such programs encourage investments and often identify specific metrics or targets the investments are intended to achieve. This information can be used by the entity to report on the program performance in achieving its objectives. Below is an example of a tax expenditure program to encourage energy efficiency improvements through conservation that sets out how to apply RPG 3 when reporting on the program.

Tax Expenditure Details and Objectives:

- In 20x6, Country A introduced a tax credit to incentivize energy-efficient renovations of CU525 million (approximately 80,000 renovations) to decrease energy consumption, specifically natural gas, by 15% in 20x7.
- In 20x7, an income tax credit of CU300 million was given by Country A on housing energy efficiency expenditures.
- The tax credit for energy transition triggered about 60,000 additional eligible energy-efficient renovations and accounted for a reduction of 7% (94,007,117 MMcf[3]) in the natural gas consumption in residential properties in 20x7 (the 20x7 total natural gas consumption was 1,342,958,820 MMcf).

Performance Indicators:

- Input: The total amount of tax credits provided
- Output: The number of eligible energy-efficient renovations completed.
- Outcome: Reduction in energy consumption.

[2] This term is defined in the Glossary of Defined Terms.

[3] One million cubic feet of natural gas.

- Efficiency:
  - The average tax expenditure provided for each energy-efficient renovation was CU5,000, resulting in a lower tax expenditure than planned of CU6,563 per renovation (CU525 million/80,000 renovations). The actual cost per unit of energy conservation was CU3.191 per MMcf (CU300 million/94,007,117 MMcf), which was higher than planned at 2.606 per MMcf (CU525 million/201,443,823 MMcf). This could be attributed to fewer actual renovations (60,000) than planned (80,000) and less energy savings per renovation – 1,566.78 MMcf per renovation (94,007,117.40 MMcf/60,000 renovations) instead of 2,518.05 MMcf per renovation (201,443,823 MMcf/80,000 renovations).
- Effectiveness:
  - Input: 57% (the actual tax credit issued for eligible energy-efficient renovations over the target announced – CU300 million/CU525 million) because the tax expenditures issued were below the target.
  - Output: 75% (the actual number of eligible energy-efficient renovations over the target – 60,000/80,000) because there were fewer energy-efficient renovations than planned.
  - Outcome: 47% (the actual natural gas consumption reduction over the target – 7%/15%) because the reduction in natural gas consumption achieved was lower than planned.

Published by: IFAC International Federation of Accountants®

International Public
Sector Accounting
Standards Board®

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 **F** +1 (212) 286-9570
www.ipsasb.org